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Australia

Exporter Guide

Annual

2002

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Report Highlights:
Australia is a prosperous, politically & economically stable, industrialized nation. The per capita GDP is approximately US$19,400, comparable to industrialized western countries. Australia's consumer oriented agricultural imports average about $1.7 billion annually, of which the US supplies about 10-12 percent. Two companies dominate the Australian grocery sales picture - Woolworths & Coles - with a combined share of 66 percent of the market.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Canberra [AS1], AS

Section I: Market Overview

Americans and Australians have a warm relationship that spans the history of both nations. Australia and the United States share a common heritage, culture and language and have supported each other in every major international crisis of this century. Yet, despite friendship and close ties, most Americans don't know much about Australia. American television romanticizes Australia's vast continental landmass and unique wildlife, and its frontier/surfer/barbecue/sporting stereotypes. But few Americans know the real, contemporary Australia.

Australia is a prosperous, politically and economically stable, industrialized nation. It enjoys an enormous natural resource base of agriculture and minerals; a highly developed human resource base; modern legal and financial systems; a physical and service infrastructure to support complex business and industry. Its state-of-the-art transportation and telecommunications systems (both internal and international) support a well developed, economically diversified market with demand across the many sectors of a modern, industrialized, export-oriented, affluent consumer society. The per capita GDP is approximately US$19,400, comparable to industrialized western countries. The economy is growing steadily, inflation and interest rates are low and investment terms are competitive. The major concerns are a relatively high unemployment rate and a large external account deficit.

Australia is one of the most urbanized societies in the industrialized world, even though its land mass is the size of the continental United States. Of its 19.7 million people, more than 85 percent live along the east and southeast coast in the large urban areas of Sydney, Melbourne, Adelaide and Brisbane (Perth is on the west coast) and in smaller cities and towns within 100 miles of the ocean. While the center of the continent is flat, dry, and mineral rich, the coastal areas are wet, mountainous, and densely forested. The interior plains are rich and fertile, supporting great varieties of agriculture.

The society is increasingly multi-cultural, with the traditional Anglo-Celtic majority now joined by immigrants from Southern and Eastern Europe, the Middle East, Latin America and Asia who are making their cultural influence felt more vibrantly.

The Australian economy is enjoying a period of solid growth with low inflation. For the 2001 calendar year, real gross domestic product grew 2.7 percent. It is anticipated that growth will be around 3.75 percent in 2002/03, but current drought conditions could reduce this by 0.5-0.8 percentage points.

The consumer price index rose by 3.1 percent in 2001, after the effects of the Goods and Services Tax (GST) washed through. The inflation rate has returned to its 2-3 percent Reserve Bank of Australia target level, as the initial effects of the introduction of the GST diminish.

Advantages	Challenges
U.S. culture well accepted and similar to Australia	Strict quarantine regulations with regard to fresh produce, meat and dairy products
No language barriers to overcome	U.S. dollar has appreciated relative to the Australian dollar adding to the cost of U.S. products
U.S. products have excellent image and acceptance.	

Section II: Exporter Business Tips

- Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia.
- Australia is a sophisticated market which is interested in new-to-market food products.
- Increasingly multicultural society is creates opportunities for ethnic food products.
- After sales services, such as cooperative advertising, are an important aspect of successfully entering this market.
- Companies with innovative packaging have an advantage.
- Most of the major Australian importers visit the United States at least once a year to see what is available and to place orders if the items are appealing.
- The Food Standards Code is developed and updated by Food Standards Australia New Zealand Food (FSANZ) - formerly ANZFA. The Code was recently completely reviewed and consolidated into a joint code which applies to both Australia and New Zealand and which comes into final effect in December 2002 (it has been in a transitional phase for the past two years). More information is available on the FSANZ web site at the following address: http://www.foodstandards.gov.au.
- The Food and Agriculture Import Regulations and Standards (FAIRS) report for Australia contains detailed information on Australia's food standards, labeling requirements, import regulations, etc. This report can be viewed/downloaded at the following Internet site: http://www.fas.usda.gov/scriptsw/attacherep/default.htm
- In December 2001, mandatory labeling requirements for genetically modified (GM) foods, where introduced DNA or protein is present in the final food, came into effect in Australia. The requirements are covered in Standard 1.5.2 of the joint Australia New Zealand Food Standards Code and a 'Users Guide' has been developed to help interpret the requirements. This information is available on the Internet by clicking on the above links or at the FSANZ web site listed above.
- Australian Maximum Residue Limits are in the schedules of Standard 1-4-2 of the Joint Australia New Zealand Food Standards Code. MRLs are constantly changing and guidance on the latest available information is available from this office at the following e-mail address: AgCanberra@fas.usda.gov.
- Food safety import regulations can be found at the Australian Quarantine Inspection Service

(AQIS) Internet site at: www.aqis.gov.au

Trade Shows

At this time, there is only one major food show in Australia, Fine Food Australia, which is held each year alternating between the cities of Sydney and Melbourne. The show also includes the Supermarket & Hotel industry show. This show is attended by major buyers and importers from all over the country and region. Due to Australia's large physical size and the high cost of internal airfares and transport, it is felt that Fine Food is the most cost-effective opportunity for U.S. companies to introduce consumer-oriented product to the Australian market.

Fine Food is an international exhibition for the food, drink, and equipment industries and is the largest food industry event in the region. It enjoys the support of major industry organizations and is the only event that allows companies to reach the retail, food service and hospitality industries at once. As well as exhibitors from Australia, regular exhibitors include groups from Asia, Europe and the Americas.

Admission to Fine Food and the Supermarket and Hotel shows is "trade only" and is restricted to persons in the food, drink, equipment, hotel and supermarket trades.

CONTACT: Mr. Tim Collett, Exhibition Director
Australian Exhibition Services
Illoura Plaza
424 St Kilda Road
Melbourne VIC 3004
AUSTRALIA
Tel: 61-3-9261-4500
Fax: 61-3-9261-4545
E-mail: food@ausexhibit.com.au
Web site: http://www.ausexhibit.com.au/

Fine Food Australia 2003

Sydney Convention & Exhibition Centre, September 9-12, 2003. Web site: http://www.foodaustralia.com.au.

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Section III: Market Structure & Trends

- Australia has well educated, affluent consumers, willing to try new products. Consumer-ready foods continue to dominate the import market for foodstuffs.
- Most tariffs on imported foods are low.
- Very strict sanitary and phytosanitary standards are an impediment to the import of many fresh products.
- Australia has strict food standards and labeling requirements which are set out in the joint Australia New Zealand Food Standards Code. If U.S. products can meet these standards, they can have a good market in Australia.
- While Australia is a major producer/exporter of both tropical and temperate zone agricultural products, it is also an importer of further processed and consumer ready products.
- Value added products and innovative packaging are valuable selling points in the Australian market.
- Some of the U.S. success in this market has been the complementarity of the Northern/Southern Hemisphere growing seasons. However, success is very much tied to good consumer promotion efforts.
- U.S. products are well regarded as value for money in this market.
- It is estimated that over 85 percent of the products on Australian supermarket shelves are either imported or produced locally by foreign owned companies.
- The United Kingdom and other EU countries are important competitors in the value added import market in Australia. Strong historic ties and foods which match the tastes of the majority of the population are helpful in maintaining this position.
- With the Australian population becoming more multi-cultural, imports from other countries such as Greece, Italy and Spain, as well as Southeast Asian countries are increasing.
- The Treaty of Closer Economic Cooperation with New Zealand has also made that country a strong player in the imported food market.
- The high degree of urbanization, the high ratio of females in the workforce and the relative prosperity of Australia, has made food consumption a very competitive field. There has been a move among Australian food manufacturers to consolidate. This has lead to greater competition by brands for shelf space in supermarkets.
- The use of microwaves is firmly established in Australia - 92 percent of households have a microwave. This, plus the large number of women in the workforce, has led to an increase in more oven or microwave ready meals.
- Fast foods and "take-away" foods are also very popular.
- The restaurant sector has also benefitted from this demographic trend, and away-from-home consumption is growing rapidly.
- Australians are active international travelers and become exposed to new cuisines when traveling.
- Two companies now dominate the Australian grocery sales picture - Woolworths and Coles.

- Both Woolworths and Coles are national in scope and are also organized along state lines and have recently been involved in a campaign to acquire smaller independent chains to maintain their market shares. In recent years these giants of the Australian food retail business have increasingly become their own importers and bypassed the more traditional importer.
  - Woolworths has a 38.3 percent share of the grocery market and has 661 stores concentrated in the states of New South Wales, Victoria and Queensland.
  - Coles has a 28.1 percent national share and 630 stores concentrated in the same three states.
  - Metcash, a supplier/distributor to independent chains controls 12 percent of the packaged grocery market.
- All these supermarket chains have central warehouses for each state of operation and have sub-warehouses depending on the concentration of stores in an area.
- The domestic food processing sector in Australia is large and more sophisticated than the population base of 19 million would indicate.
- Many Australian companies export processed products to Southeast Asia. This is a trend that will continue to expand in the near term.
- Several multinational companies use manufacturing/processing facilities in Australia as a spearhead in penetrating the Southeast Asian market. This trend will also accelerate. The acquisition of Edgell/Birdseye by Simplot is an example of this trend.

Section IV: Best High-Value Product Prospects

- **Pasta Sauces** - the pasta sauce market is one of the fastest growing product categories in the supermarket. Grocery value of the pasta sauce market is USD 108 million, a growth of 24% between 2000 and 2001. Growth in the pasta sauce market was driven by the expansion of the "stir through" segment which grew by 39%.
- **Fresh and ready to serve soups** continue to grow in popularity as consumers demand a low fat alternative, with a home-made taste that is easy to prepare. The ready to serve segment grew 16% in the past year.
- **Asian noodles** in particular have become popular with shelf-stable cooking noodles growing 24%. The diversity of **noodle sauces** is attributed to this growth - the strong flavored sauces being used not only for noodles dishes, but stir-frys and marinades.
- **Confectionery** - in 2001, the market recorded strong growth – in excess of 6%, both in volume and value. This growth was reflected across all categories.
- **Canned Fish** - Valued at USD 192 million in 2001, the canned fish segment is the largest and most active and innovative of the canned food market in Australia and grew by nine percent over the previous year. Tuna is driving the growth with some strong growth in variants such as springwater (31 percent) and flavored (25 percent). These two sub-segments represent about half of total tuna dollar sales.

- **Hot Beverages** - Tea is the best performing segment in the hot beverage category. Herbal infusions have become more mainstream thanks to the leading tea brands such as Lipton and Twining introducing herbal infusions. This has meant that herbal-type teas are now also selling in supermarkets rather than just health food shops. Estimates of the total size of the herbal market is USD 18.9, million with an estimated growth of 4.4 percent in 2001.
- **Nutritious Snacks** - with a grocery value of USD 176 million, the market for nutritious snacks is growing at a rate of nine percent. Health and convenience is a good combination and the nutritional snack category is currently one of the fastest growing categories in Australian supermarkets.
- **Energy drinks** - This category grew by 187 percent in 2001, due to the introduction of a number of new products and high levels of advertising.
- **Frozen meals** - The increasing populatiry of home meal replacement is having a direct impact on the growth of frozen ready meals. The sale of frozen ready meals in Australia grew by 26.3 percent in 2001. New varieties and the recent shift towards nutritional value have prompted consumers to perceive frozen meals as healthier than take-away foods. Reflecting the fact that healthy is a priority for many consumers, sales in the 'healthy' sub-segment rose by 49 percent.

Section V: Key Contacts & Other Information

Key Contacts

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E-mail: AgCanberra@fas.usda.gov

Food Standards Australia New Zealand
P.O. Box 7186
Canberra BC, ACT 2610
Australia
Tel: 61-2-6271-2222
Fax: 61-2-6271-2278
E-mail: info@foodstandards.gov.au
Web Site: http://www.foodstandards.gov.au

Imported Food Inspection Program
Australian Quarantine & Inspection Service
GPO Box 858
Canberra, ACT 2601
Fax: 61 + 2 6272 3682
Email: foodimp@aqis.gov.au (Program Director)
Web Site: www.aqis.gov.au

Other Information

The home page for the Foreign Agricultural Service is located at: www.fas.usda.gov.

Various reports can be downloaded at the following site:
www.fas.usda.gov/scriptsw/attacherep/default.htm

For Australia, the following market sector reports are available:

Food & Agriculture Import Regulations & Standards (FAIRS)
Retail Sector Report
Food Processing Sector Report
Hotel, Restaurant & Institutional Sector Report
Pet Food Product Brief
Confectionery Product Brief
Snack Food Product Brief

APPENDIX 1 - STATISTICS

TABLE A: KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports from All Countries ($Mil)/U.S. Market Share (%)	(1999)	$3,317	11%
Consumer Food Imports from All Countries ($Mil)/U.S. Market Share (%)	(1999)	$1,704	10%
Edible Fishery Imports from All Countries ($Mil)/U.S. Market Share (%)	(1999)	$464	4%
Total Population (Millions)/Annual Growth Rate (%)	(March 2002)	19.7	1.2%
Urban Population (Millions)/Annual Growth Rate (%)	(March 2002)	17.4	1.5%
Number of Major Metropolitan Areas [1/]	(2002)	5	
Size of the Middle Class (Millions)/Growth Rate (%)		n/a	
Per Capita Gross Domestic Product (US$)	(2002 proj.)	19,400	
Unemployment Rate (%)	(2002 proj.)	6.4%	
Per Capita Food Expenditures (US$)	(June 2002)	$1,415	
Percent of Female Population Employed (%)	(June 2002)	41%	
Exchange Rate	(Sept 2002)	US$1.00 = A$1.83	

1/ Centers with population over 1,000,000

SOURCE: Various Australian Bureau of Statistics publications & estimates from Economic Section, US Embassy, Canberra, Australia.

TABLE B: CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Australia Imports	Imports from the World			Imports from the U.S.			U.S Market Share		
(In Millions of Dollars)	1999	2000	2001	1999	2000	2001	1999	2000	2001
CONSUMER-ORIENTED AGRICULTURAL TOTAL	1,740	1,872	1,704	205	230	169	12	12	10
Snack Foods (Excl. Nuts)	168	171	145	29	30	14	17	18	10
Breakfast Cereals & Pancake Mix	9	9	5	2	2	2	18	21	28
Red Meats, Fresh/Chilled/Frozen	50	83	75	1	1	1	0	0	0
Red Meats, Prepared/Preserved	14	15	14	4	4	4	31	28	31
Dairy Products (Excl. Cheese)	72	68	61	2	3	2	3	4	3
Cheese	108	104	110	1	1	1	0	0	0
Eggs & Products	4	4	4	1	1	1	19	13	13
Fresh Fruit	52	56	46	13	18	15	25	32	32
Fresh Vegetables	15	15	12	4	3	2	25	21	17
Processed Fruit & Vegetables	259	278	236	36	45	30	14	16	13
Fruit & Vegetable Juices	71	57	53	9	3	4	12	6	8
Tree Nuts	73	60	55	10	9	9	13	15	17
Wine & Beer	104	104	86	2	3	2	2	3	2
Nursery Products & Cut Flowers	20	22	17	1	1	1	3	2	2
Pet Foods (Dog & Cat Food)	42	36	40	15	14	12	35	38	30
Other Consumer-Oriented Products	680	788	745	78	95	73	11	12	10
FISH & SEAFOOD PRODUCTS	502	488	464	26	24	18	5	5	4
Salmon	41	41	34	21	18	14	50	45	41
Surimi	11	8	11	1	1	1	4	6	5
Crustaceans	155	148	145	2	2	1	1	1	0
Groundfish & Flatfish	120	117	106	1	1	1	0	0	0
Molluscs	47	53	46	1	1	1	1	1	1
Other Fishery Products	128	121	122	2	2	2	1	2	2
AGRICULTURAL PRODUCTS TOTAL	2,699	2,753	2,416	357	370	300	13	13	12
AGRICULTURAL, FISH & FORESTRY TOTAL	3,779	3,966	3,317	432	446	350	11	11	11

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

TABLE C: TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Australia - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL TOTAL

($1000)	1999	2000	2001
New Zealand	328,905	359,762	374,891
United States	205,095	230,360	168,901
Brazil	53,946	198,680	111,325
Italy	118,887	106,132	95,193
Ireland	143,053	33,424	86,046
United Kingdom	62,125	75,937	83,490
Thailand	83,989	83,725	76,261
China (Peop Rep)	61,803	69,336	75,763
Netherlands	63,732	71,457	64,172
Canada	49,063	52,055	55,127
Denmark	36,354	67,718	44,801
France	67,351	58,591	44,122
Japan	17,024	22,636	36,955
Germany	26,802	32,845	33,485
Singapore	24,041	25,890	23,499
Other	398,025	383,251	330,319
World	1,740,264	1,871,863	1,704,380

FISH & SEAFOOD PRODUCTS

($1000)	1999	2000	2001
Thailand	158,677	134,275	128,305
New Zealand	92,026	88,277	84,781
Vietnam	20,546	23,177	24,558
India	8,503	14,362	21,994
South Africa	0	22,371	18,667
United States	25,548	23,549	17,729
Malaysia	17,011	18,458	17,716
Indonesia	9,862	15,329	16,097
China (Peop Rep)	8,678	10,675	14,172
Canada	17,378	14,184	13,187
Taiwan (Est)	11,687	12,722	11,321
Chile	12,663	14,656	11,256
Japan	8,970	12,221	9,457
Burma	6,561	5,871	6,513
Korea, Rep	5,281	6,306	6,505
Other	98,242	71,884	61,704
World	501,640	488,336	463,987

Source: United Nations Statistics Division